

10
RAILROAD IRON.

REMARKS

OF

WILLIAM H. SEWARD,

IN THE SENATE OF THE UNITED STATES,

FEBRUARY 22, 1855.

WASHINGTON, D. C.
BUELL & BLANCHARD, PRINTERS.
1859.

Digitized by the Internet Archive
in 2017 with funding from

This project is made possible by a grant from the Institute of Museum and Library Services as administered by the Pennsylvania Department of Education through the Office of Commonwealth Libraries

REMARKS OF MR. SEWARD.

The bill to authorize a credit of three years on imported railroad iron being under consideration,

Mr. SEWARD offered the following amendment as an additional section :

SEC. —. *And be it further enacted*, That in order to extend to railroad companies who may use American iron in the construction of their railroads, the same inducements as are granted by this act to companies to use foreign iron, whenever any railroad company shall make it appear to the satisfaction of the Secretary of the Treasury that they have purchased, for their own use, any iron rails, spikes, bolts, fastenings, or other iron necessary for the construction of railroads, of American manufacture, it shall be the duty of the Secretary, and he is hereby authorized and directed, to loan to said company an amount equal to the duties for which credit will be given by this act upon similar iron if imported, paying over the same out of any moneys in the Treasury not otherwise appropriated: *Provided*, That said company shall secure the repayment of such loans by their bonds conditioned for the amount payable at three years from date, without interest, and by such other security, personal or otherwise, as, in the judgment of the Secretary, will indemnify the United States against loss.

I have offered this amendment because it will serve to illustrate my position in regard to the question before the Senate. Some abstractions have been discussed, on which I shall not dwell. If it were demonstrated that New Hampshire was the most loyal, and Pennsylvania was the most disloyal of the States, and even if the political differences of opinion between Massachusetts and South Carolina on questions of political economy were reconciled, yet all this would not affect the merits of the proposition to give a credit on railroad iron.

With the utmost deference, I cannot regard the suggestion of the Senator from New Hampshire [Mr. WELLS] to be one requiring grave refutation. He insists that the bill violates the Constitution. Congress have a right to levy taxes—either direct or indirect taxes. Since they have power to levy, they have power to remit—to remit altogether, or to remit on conditions, to give a credit for duties, or to require their immediate payment.

I see no question of free trade in the case before us. We have indeed been told that it would be well to abolish custom-houses, and come to direct taxation. It is very easy to say this, and it sounds very high and very sonorously. But, sir, in point of fact, we shall sooner abolish the dome and even the skies over our heads, than we shall abolish the need of money, and of a great deal of money, too, to carry on the Government of a very great and rapidly-growing empire. Government can raise money only by taxation upon human industry, for even realized wealth is only a production of human industry. Government can find human industry to levy taxes upon only in two places, namely, *abroad* or at *home*. Thus the industry which must be taxed for the support of any Government is, either the industry of foreign nations, or the industry of its own country. Experience, old as the foundations of the Republic, and unchanging amid all vicissitudes, shows that the United States, following the example of all other nations, have taxed the industry of other countries instead of their own industry, as far as it has been practicable within the limits prescribed by their exigencies in regard to revenue. Senators, like theorists out of Congress, may speculate about abolishing custom-houses, but the practical course of the Government will continue the same until the end. We shall need money, and we shall tax the labor of the foreign miner, lumberman, farmer, mechanic, and artisan, to the utmost, before we begin to tax the labor of the American miner, lumberman, farmer, mechanic, and artisan. We may, indeed, reduce the duties on imported products of labor, but we shall do so only in the proportion that it can be done consistently with our wants of revenue. But this will not be free trade. It will only be abatement of taxation, with real or relative reduction of revenue. Absolute free trade may, indeed, come into the country, but it will only come when we are ready to dispense with revenues altogether. I ask Senators whether we have reached that time now, or whether they see such a time near at hand? No! No! You are even now, while talking of free trade, enlarging your Capitol, extending and embellishing the Federal city, augmenting and extending your public edifices, increasing your army and your navy, and your revenue service, and your fortifications, improving your rivers and harbors, constructing almost endless railroads, and organizing new Territories. You are, at the same time, raising the salaries of all the agents of the Government, civil and military, at home and abroad, and are not only extending your postal system across the Western plains, and into the nooks of the Western mountains, but also connecting it by steamships with all the postal systems of the Old World. While you are doing this, you raise not a dollar by direct taxation, and no

one proposes, or thinks of proposing, taxation in that form, so greatly lauded by theorists, so instinctively avoided by all practical statesmen. It is preposterous to talk of instituting free trade at a time when you are thus going on more industriously than ever in increasing expenses.

Besides, freedom in trade, like freedom in everything else, has a condition of equality attached to it. If you give universal freedom in trade, you give equal freedom in every department of trade. There must be freedom in the purchase and sale of all materials, and of all fabrics; free trade not only in iron, but in salt, in cotton, in wool, in silk, in wines, in grain, in hemp, in linen, in cattle, in everything. Nevertheless, you propose no such universal freedom as this here. There is no one here bold enough to abolish duties on foreign wheat, rye, corn, oats, sugar, wines, and liquors. No one dares propose to strike down altogether the discrimination which favors some branches of manufacture. Still less does any one propose to level down the wall that protects the farming interest.

What, now, is the principle of this bill? It assumes before me two aspects—first, as a bill for the encouragement of the construction of railroads. This is a policy which would be very judicious and wise in some circumstances. But it is not a judicious or wise policy now, under existing circumstances. It is not wise as here presented, because the encouragement proposed involves a burden not falling equally on all the industry of the country, but falling on one department of that industry only, namely, the iron manufacturing interest; and that department itself not only needs, but deserves, at least equal relief at the present conjuncture. The bill proposes to encourage railroads, not by simultaneously encouraging the domestic manufacture of iron, but by sending the railroad companies abroad to buy their iron in foreign markets, instead of sending them to our own furnaces and forges. It is, therefore, a bill to encourage and protect foreign miners and manufacturers of iron, instead of encouraging American miners and manufacturers.

The amendment which I have offered seeks to correct that injustice. I know that the measure which it proposes is a novel one. But it seems to me to be defensible on every ground on which the main project contained in the bill can be defended. The forms of the two measures differ, but that is all; what the bill proposes is, in fact, a loan of the duties on foreign railroad iron for three years without interest. What my amendment proposes is also a loan of an equivalent amount for three years without interest, where railroad companies shall use American iron. In the one case, the favor extended to railroad companies is in the shape of forbearance from the collection of duties for

three years; in the other, it is a loan of money for the same period, and on the same terms.

Incorporate my amendment, and I can very cheerfully vote for your bill. There is, indeed, another objection which arises from contemplating the other aspect of the bill. The bill is a *relief law*. It proposes an interposition by the Government to give temporary relief to a class of its industrious citizens who are laboring under financial embarrassment. Let us examine it closely. Either the law is to be executed according to its terms, or it is not. If it is to be so executed, then we shall give a credit only for three years, at the expiration of which period the duties are to be refunded. This credit amounts, as I understand, to about \$1,000 a mile of the railroads which are now being built. The whole cost of building railroads is about \$30,000 or \$35,000 a mile.

Sir, will the railroad companies be less embarrassed three years hence than they are now? Will they be sounder and better able to pay then than now? Is anything more certain than it is that, if you stimulate forever, the sufferer will ultimately be exhausted? If by this process the railroad companies are pushed into deeper and more inextricable embarrassment, the relief will have failed. Then you must renew and extend the credit for a longer period, or remit the duties altogether.

But relief laws, always objectionable by reason of their very nature, are doubly objectionable when they are partial and discriminating. Other branches of industry are embarrassed not less than the railroad interest. Such is the case, especially with the woollen interest and the iron interest. They will come to you for relief, also; indeed they are here now, importuning you for relief. Will you extend it to them? No; for that involves the necessity of raising duties instead of remitting or giving a credit for them. But these are as important and as meritorious as the railroad interest. They create wealth by converting unimproved resources into capital, while railroad companies create no wealth, but only favor its creation. I am not inimical to railroad enterprises; throughout my whole public life I have favored them, and I share now the suffering of those who have come here to urge this measure.

But I cannot go for such a discrimination as this in their favor. It is actually loaning them additional capital. The miners and forgers of iron in New Jersey, New York, Pennsylvania, and Virginia, want more capital, also. Capital is deranged in its flow through all the channels of industry and trade. It avoids now the railroad builder, the wool manufacturer, and the miner and manufacturer of iron. You seek by this bill to direct it into the railroad channel again. But in just the same degree

you would divert it from the other channels. Other interests complain, and justly complain, that not only all the embarrassments of railroad enterprises, but also all their own, result from too much partiality having been already exercised by the Legislatures, State and National, towards railroad enterprises. The usury laws, maintained everywhere with more or less stringency in regard to all other departments of industry, have been virtually suspended in favor of railroads. They are now enjoying the questionable advantages of being allowed to raise money at rates of twenty, twenty-five, thirty, or forty per centum, in the money market, while the wool manufacturer, and the miner and forger of iron, is obliged to be content with offering only six, or seven, or ten per cent.

Besides this, the railroad interest has had the benefit of liberal grants of public lands, and of credits furnished by municipal corporations, towns, cities, and States.

It is, in fact, this partial legislation which has stimulated railroad building in such a degree that it has been carried to excess and extravagance, resulting in not only its own embarrassment, but also in the universal derangement of trade and industry.

What is proposed by the bill before us, is only a perseverance in the same policy that has produced the evils complained of. You may alleviate, but the money market has got to recover its equilibrium before you can restore soundness to the railroad department. Sir, railroad stock that is perfectly sure and ultimately sound, and is paying seven, eight, or ten per cent. dividend, is depreciated ten per cent., while money can be borrowed at six or seven per cent. on private obligations. This shows conclusively that more than a due proportion of capital has gone into the construction of railroads. If you mean to relieve that department of industry, together with all others, you can only do it by leaving nature to work out her own cure; or else by returning to that generous system of equal discrimination in favor of all departments of industry.

The American people are strong and vigorous. Our Federal system of revenue is yet sound. The spirit of enterprise, although checked, is yet unimpaired. Leave all existing embarrassments of railroads to correct themselves, and the railroad companies, whose undertakings are feasible and judicious, will recover in due time. Any tampering with them will only continue the existing evils, and prevent the separation of those which can be saved from those which, ultimately, must end in ruin. I ask the yeas and nays on the amendment which I have offered.

